PDVSA Finance Ltd.

CLOSING DATES:
May 14, 1998
April 8, 1999
November 16, 2001

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CURRENT RATINGS

Description	Amount	Coupon (%)	Payment Frequency	Maturity Date	Current Rating
Notes	$300,000,000	6.650	Quarterly	February 2006	**Caa1**
Notes	$300,000,000	6.800	Quarterly	November 2008	**Caa1**
Notes	$400,000,000	7.400	Quarterly	August 2016	**Caa1**
Notes	$400,000,000	7.500	Quarterly	November 2028	**Caa1**
Notes	€200,000,000	6.250	Quarterly	February 2006	**Caa1**
Notes	$250,000,000	9.375	Quarterly	November 2007	**Caa1**
Notes	$250,000,000	9.750	Quarterly	February 2010	**Caa1**
Notes	$100,000,000	9.950	Quarterly	February 2020	**Caa1**
Notes	$500,000,000	8.500	Quarterly	November 2012	**Caa1**

CURRENT HIGHLIGHTS

- The debt service coverage ratio (DSCR) was 37.67 times (x) scheduled debt service as of the end of March, 2004. The DSCR declined to its lowest historical levels in February and March 2003 (4.5x and 4.3x; marginally missing the 4.0x retention trigger) primarily due to a production-crippling strike by PDVSA workers. Post-March 2003 DSCRs have been gradually recovering to pre-strike levels.
- Also as of March 4, 2004, the debt to equity ratio was 3.10x, which is below the maximum permitted level of 7.0x. Unlike the DSCR, the debt to equity ratio was not compromised during or after the strike.
- The **Caa1** rating of the PDVSA Finance notes reflects a financing structure that allows the payment of the notes from receivables owed to Petróleos de Venezuela (PDVSA) primarily by its main North American customers for crude oil and refined products produced and exported by PDVSA's operating subsidiary, PDVSA Petróleo. PDVSA is the Venezuelan state-owned oil company. *The rating of the PDVSA Finance notes is linked to the local currency and foreign currency ratings of PDVSA, which generates the future receivables that back repayment of the notes.*
- Additionally, the **Caa1** rating of PDVSA incorporates Moody's view that the late 2002-early 2003 strike and government actions that followed seriously damaged PDVSA's ability to attract investments and to maintain a stable to growing production profile over the long term. Due to the continuing political uncertainty and high degree of government control over PDVSA, Moody's believes that there is currently no reason to make a distinction between the ratings of PDVSA and the sovereign.

MOST RECENT RATING ACTIONS

The PDVSA Finance notes were downgraded to **Ba1** from **Baa2** in December 2002. That rating action was driven by the nationwide strike that began in Venezuela on December 2, 2002. Much of PDVSA's crude oil, natural gas production and refinery output shut down because of the strike. PDVSA's exports of oil and refined products to North American customers also stopped, and as a result, so did the generation of new receivables.

The strike virtually paralyzed PDVSA's oil production and exports, which was one driving factor in the downgrade of PDVSA's foreign and local currency debt ratings. The ratings of the PDVSA Finance notes are linked to the local currency and foreign currency ratings of PDVSA, which generates the receivables that back the repayment of the rated notes. As the local currency rating of PDVSA was lowered, the PDVSA Finance notes were further downgraded on January 9, 2003 (to **B3**), and on January 21, 2003 (to **Caa1**).

On May 7, 2003 Moody's confirmed the **Caa1** rating of the PDVSA Finance notes. The notes were taken off review for possible further downgrade as production, exports and collections began to improve. Following the resolution of the strike, PDVSA's production levels returned to higher levels.

TRANSACTION OVERVIEW

The notes are senior, direct, unsecured obligations of PDVSA Finance Ltd. PDVSA Finance is a limited purpose Cayman Islands corporation, whose business activities are limited to issuing unsecured debt and purchasing oil export receivables from PDVSA Petróleo. The receivables purchased from time to time from PDVSA Petróleo are the issuer's principal asset and the source of repayment of the notes. Because of certain negative pledge constraints applicable to PDVSA Petróleo and the Republic of Venezuela, however, the trustee and noteholders do not have a security interest in the receivables or any other asset of PDVSA Finance.

Structural Overview: Not the Typical Securitization Structure

PDVSA Finance used the proceeds from the sale of the notes to purchase current and future oil export receivables from PDVSA Petróleo, to fund a liquidity facility and to pay administrative expenses. PDVSA Petróleo has irrevocably directed most of its North American customers to make all payments for crude oil and oil products to a collection account located in New York.

As the North American export receivables are paid into the collection account, a collection agent divides the funds between PDVSA Petróleo and PDVSA Finance, based on their respective ownership interests in the receivables, as identified in a servicing report prepared by PDVSA Petróleo.

The cash flow from the receivables that belong to PDVSA Finance is released to the company on a daily basis. These funds are not transferred to the note trustee nor are they held in a trust account for the benefit of note holders. It is the responsibility of PDVSA Finance to deliver sufficient funds to the fiscal agent prior to each scheduled payment date to pay all amounts due on the notes.

A liquidity account, funded with the next scheduled debt service payment for all outstanding PDVSA Finance indebtedness, is available to make up shortfalls between the amounts due on the notes on any scheduled payment date and amounts delivered to the fiscal agent by PDVSA Finance.

Retention of Cash Flow

If specified performance criteria are not met or if one of the PDVSA entities is in breach of the transaction documents, the fiscal agent is obligated to direct the collection agent to transfer all or a portion of the receivable cash flow that belong to PDVSA Finance to a retention account. The retention account is held by the fiscal agent, in the name of PDVSA Finance.

Specified events, upon which the fiscal agent will direct the collection agent to deposit **25%** of the daily PDVSA Finance receivable collections to the retention account, include, among others:

(1) exceeding the maximum permitted debt-to-equity ratio or

(2) failing to meet the minimum required debt service coverage ratio (DSCR)

Acceleration events, upon which **100%** of the receivable cash flow allocable to PDVSA Finance may be directed to the retention account, include among others:

(1) any failure to fund or maintain the retention account or liquidity account as required,

(2) any bankruptcy, insolvency, or liquidation event with respect to PDVSA, PDVSA Petróleo, or PDVSA Finance,

(3) failure by PDVSA Finance to maintain an unencumbered ownership interest in receivables and cash or cash equivalents equal to 100% of the outstanding principal amount of its aggregate indebtedness,

(4) under certain circumstances, failure of PDVSA Petróleo to cause the monthly average amount of eligible receivables during any consecutive twelve-month period, to represent at least the lesser of (x) 27 million barrels of heavy crude oil (less than 30° API), and (y) 80% of PDVSA Petróleo total eligible receivables generated from sales of heavy crude oil, and any action taken by the Venezuelan government that prevents PDVSA Petróleo from generating the receivables.

Noteholders may also have the right, in some circumstances, to direct the trustee to instruct the fiscal agent to use any funds available in the retention account to make accelerated payments on the Notes. ***It is important to note, however, that the PDVSA Finance structure does not function like a typical securitization, where receivables are automatically paid to a trust account for the benefit of investors and where the failure to meet certain performance criteria results automatically in excess funds being captured for the benefit of investors.***

Additional Debt May Be Issued

Provided certain conditions are met, PDVSA Finance may incur additional unsecured debt, which will rank pari passu with all the outstanding notes. The company's ability to issue additional debt and the aggregate amount of debt that it may have outstanding at any time are subject to the following restrictions:

- The company's debt-to-equity ratio may not exceed 7 to 1.
- It must maintain a minimum DSCR of 4 to 1 on a rolling three-month basis.
- It must own at all times an unencumbered interest in receivables and cash or cash equivalents equal to 100% of the principal amount of its aggregate outstanding debt.

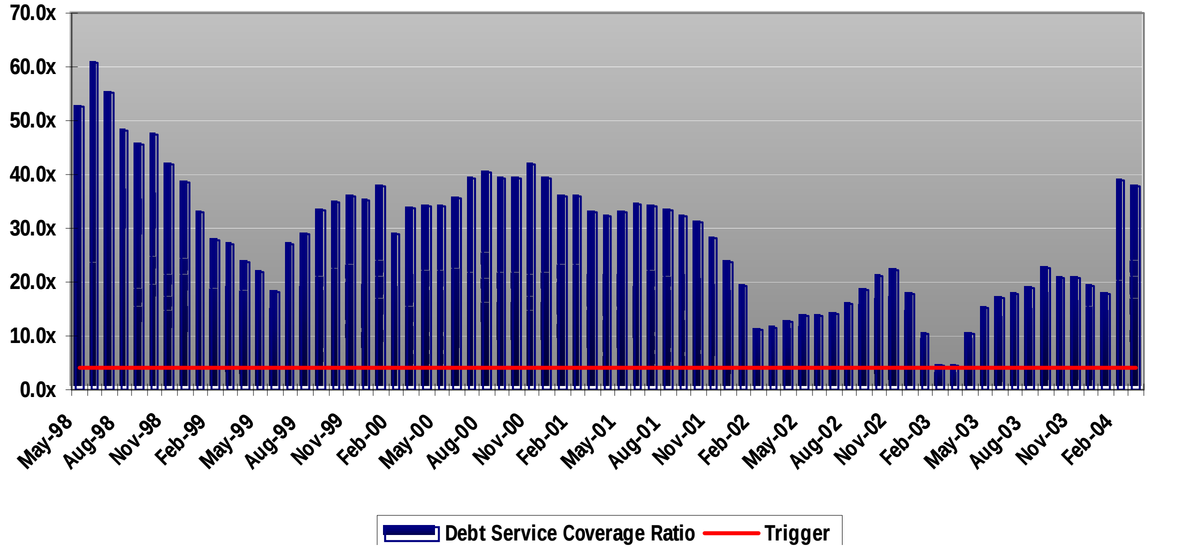
PDVSA Finance is required to notify Moody's prior to incurring additional debt, but it is not required to obtain a confirmation of the rating of the notes unless the occurrence of such debt results in PDVSA Finance having aggregate outstanding debt in excess of U.S. $6 billion. PDVSA Finance may, therefore, issue additional debt in the future that would under certain circumstances impact the rating of the notes.

TRANSACTION PERFORMANCE

Debt Service Coverage Ratio Begins to Recover-After All-time Lows in First Quarter 2003

The debt service coverage ratio[1] was 37.67x at the end of March 2004. The DSCR has been recovering from the all-time low level of 4.3x in March of 2003 (see *Figure 1*). The early 2003 decline was caused primarily by a two-month strike of PDVSA's work force that virtually shut down all of the company's oil production and exports.

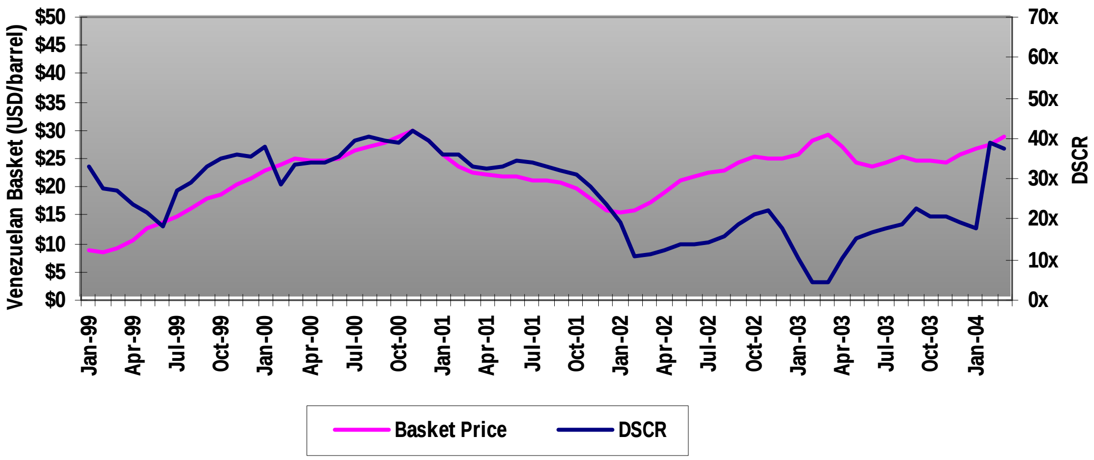
Figure 1
Debt Service Coverage Ratio
(3-month rolling average)



Although PDVSA's output levels decreased from approximately three million barrels per day to 25 thousand barrels per day (at the peak of the strike), the DSCR trigger was not breached. Moody's believes that, to some extent, the trigger was not breached because the strike coincided with an increase in the price of crude oil (see *Figure 2*).

During February and March 2003 (the months in which the DSCR declined to all-time lows), the average price of Venezuelan crude oil was US $29.14 per barrel. By comparison, the average price of Venezuelan crude for the 12 months prior to February 2003 was US $23.19 per barrel.

Figure 2
Correlation between Venezuelan Basket Price and DSCR
(three-month rolling average)



1 DSCR is calculated as follows:
during the 90-day period preceding each date of determination, the sum of:
(i) the aggregate amount of payments made to PDVSA Finance by obligors with respect to purchased receivables plus
(ii) capital contributions in the form of cash or permitted investments obtained by the issuer divided by the scheduled debt service for the next 90 days after the date of determination.

If, at any time, PDVSA Finance fails to meet the minimum required DSCR of 4.0x debt coverage, 25% of its excess funds may be captured in a retention account. These amounts are to be retained in the retention account until either:

- the required ratios and coverage levels are re-established, at which time PDVSA may withdraw the funds and use them to service debt or purchase additional receivables, or
- an acceleration event occurs.[2]

PDVSA fired more than 18,000 of its 33,000 workers during and immediately after the strike. Reports of violent clashes between the Venezuelan National Guards and ex oil workers followed the layoffs. Any further incidents will continue to deter foreign oil and gas companies from returning to the country; particularly at a time when the government is trying to attract greater private investment to offset some of PDVSA's reduced operational and financial profile. In addition, production reports provided by the company are notably more optimistic than those provided by former PDVSA officials.

Months of political turmoil and restructuring have turned PDVSA into a different entity than what it was when the PDVSA Finance notes were originally rated. Moody's views of the company's role, and the government's role in it, have changed significantly. The continuing political uncertainty in Venezuela and the high degree of government control over PDVSA have substantially increased the risk that the government may attempt to divert the product or cash flow in the transaction. Future flow transactions as this one were never meant to mitigate corporate risk, thus the risk of a company meltdown is taken by investors in all future flow deals. Moody's believes that the sovereign risk has increased significantly under the current scenario.

Overall Declining Trend in Total Debt to Equity Ratio

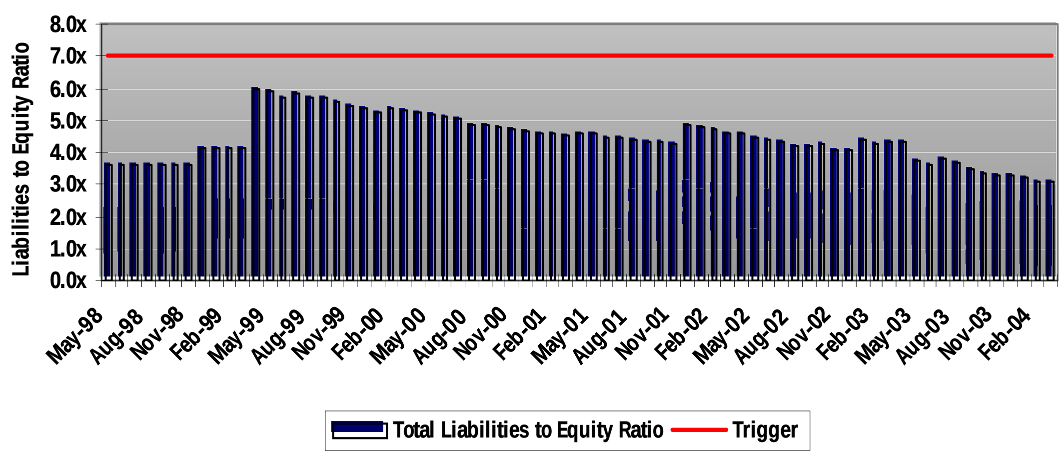
According to transaction documents, the maximum aggregate amount of debt PDVSA Finance is allowed to issue at any one time is limited to 7x the amount of capital contributed to the company.

If the total debt to equity ratio surpasses the 7 to 1 ratio, 25% of PDVSA Finance's excess funds may be captured in a retention account until either:

1. the required ratios and coverage levels are re-established, at which time PDVSA may withdraw the funds and use them to service debt or purchase additional receivables; or
2. an acceleration event occurs.[3]

Figure 3

Total Liabilities to Equity Ratio



As illustrated in *Figure 3*, the total debt to equity ratio was 3.10x at the end of March 2004. Overall, this ratio has had a declining trend and was virtually unaffected during the months of February and March 2003.

2 For a list of some of the acceleration events, upon which **100%** of the receivables cash flow allocable to PDVSA Finance may be directed to the retention account, refer to the Section "Transaction Overview".

3 See previous footnote.

The Company: Petróleos de Venezuela S.A. (PDVSA)

Petroleos de Venezuela S.A.'s local currency and foreign currency issuer ratings were downgraded to **Caa1** from **B2** by Moody's in January 2003 in the wake of the strike by management and workers and in conjunction with downgrades of Venezuela's foreign currency ceiling. The strike, precipitated by opposition efforts to force a recall referendum on President Chavez and by employee opposition to government interference in PDVSA's operations, resulted in oil production, export and collection disruptions and in the mass dismissals of around 18,000 workers at PDVSA. While production has resumed to levels upwards of 2.5 million bpd, conflict continues between loyalists and the opposition over the outcome and legitimacy of the recent signature drive to stage a recall referendum, indicating continuing political volatility and even possible future operational disruptions..

The current ratings reflect the link between the sovereign and the state oil company rather than the fundamental quality of PDVSA's asset base and balance sheet. PDVSA has monopoly status and is vital to the Venezuelan economy, which depends on PDVSA for a major share of its fiscal revenues and foreign exchange. PDVSA's world scale integrated petroleum operations include 80 billion BOE proved reserves, current production restored to pre-strike levels in the area of 2.5-2.7 million bpd, and 2.7 million bpd of refining capacity in Venezuela and abroad. However, since the end of the strike, President Chavez has tightened his control over the government, the financial system, and PDVSA. The government recently indicated its intention to tap PDVSA for $1.2 billion to support agricultural and social programs, raising the prospect of possible further spending cuts by PDVSA. Consequently, Moody's believes there is currently little reason to distinguish between PDVSA's ratings and Venezuela's sovereign ratings.

PDVSA's key challenges at this juncture are not related to the absolute level of its debt and financial leverage. Despite the effects of the strike, high oil prices have enabled PDVSA to meet all its debt obligations in 2003 and to reduce its debt. The company's challenges, particularly if oil prices decline significantly and the government increases its financial demands on the company, will be to fund its own internal investment and meet government shareholder needs, which in 2004 are estimated at $8.7 billion in production taxes, dividends and income taxes. Crude production is projected to be in the area of 2.9 million bpd in 2004 and the company is shifting investment from older Western fields to less mature, more productive fields in Eastern Venezuela to maintain production, but the real extent of degradation in oil production capacity and infrastructure and required investment levels following the strike are not clear. Moreover, the government has outlined a $36 billion total capital spending program for 2004-2008, including in the upstream both exploration and refurbishment of production, the large offshore Deltana gas project, development of LNG, and heavy oil production and upgrading. About 54% of the investment is slated to come from PDVSA's internal cash flow, with the remainder from external sources, all of which will require significant foreign participation and expertise, as well as a more stable political and fiscal regime than is currently in place. Moody's views of PDVSA's ratings will depend on the company's ability to steer a course that can achieve these plans in the face of mounting government cash demands and an unstable political environment.

PDVSA's Rating Outlook

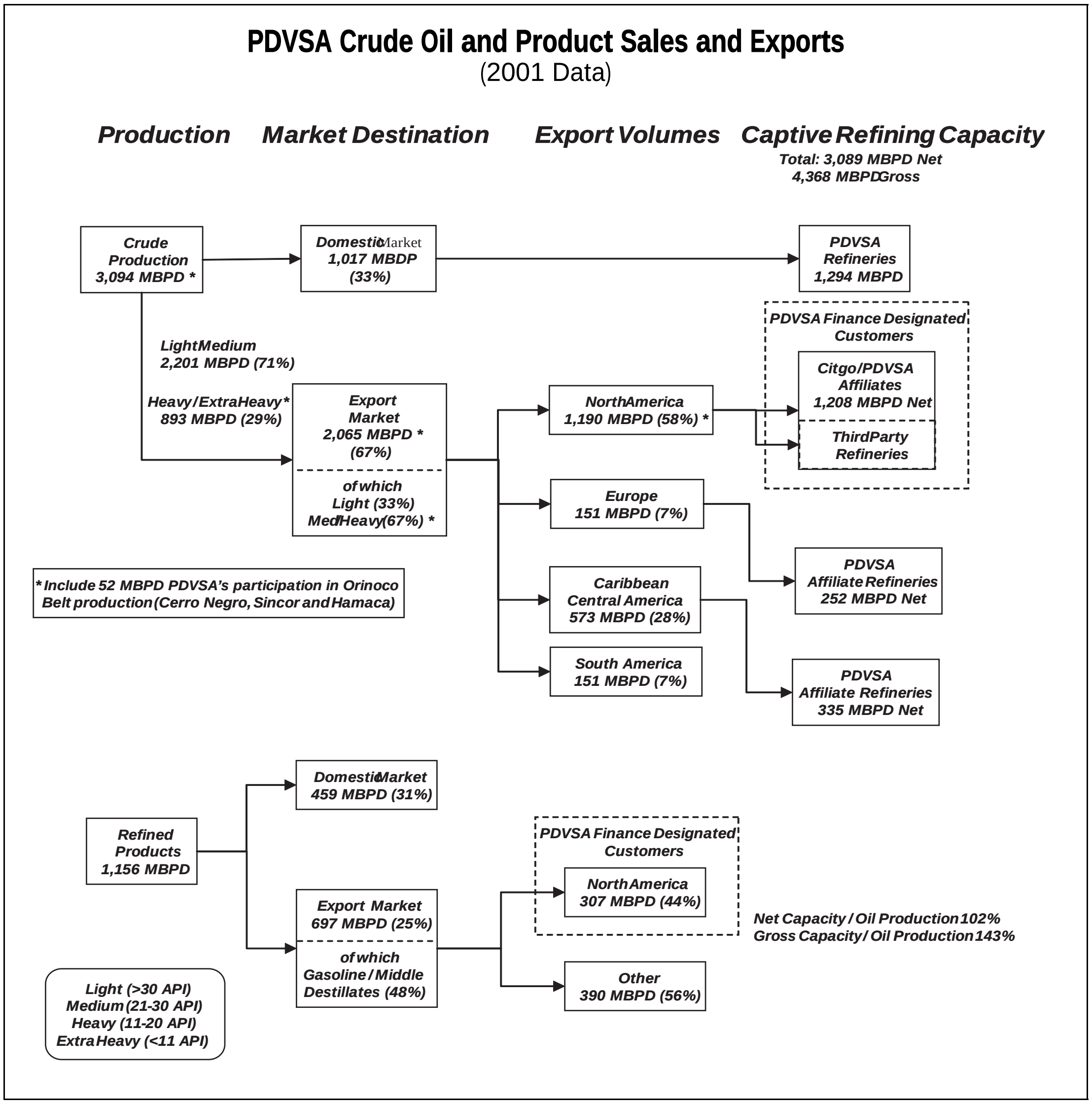
The rating outlooks are stable, reflecting Venezuela's Caa1 sovereign rating outlook and the restoration of PDVSA's operations. Moody's will continue to monitor the recall referendum and other political impacts on PDVSA.

Reference

For further information on Moody's rating rationale for this transaction, please refer to "PDVSA Finance Ltd." Moody's New Issue Reports, published on June 26, 1998 and April 16, 1999.

For information about PDVSA Finance's past performance, please refer to "PDVSA Finance Ltd." Moody's Performance Update, published on November 15, 2002.

APPENDIX


PDVSA Crude Oil and Product Sales and Exports
(2001 Data)
Production
Market Destination
Export Volumes
Captive Refining Capacity
Total: 3,089 MBPD Net
4,368 MBPD Gross
Crude Production 3,094 MBPD *
Domestic Market 1,017 MBDP (33%)
PDVSA Refineries 1,294 MBPD
Light Medium 2,201 MBPD (71%)
Heavy / Extra Heavy* 893 MBPD (29%)
Export Market 2,065 MBPD * (67%)
of which Light (33%) Med/Heavy (67%) *
North America 1,190 MBPD (58%) *
PDVSA Finance Designated Customers
Citgo/PDVSA Affiliates 1,208 MBPD Net
Third Party Refineries
Europe 151 MBPD (7%)
Caribbean Central America 573 MBPD (28%)
South America 151 MBPD (7%)
PDVSA Affiliate Refineries 252 MBPD Net
PDVSA Affiliate Refineries 335 MBPD Net
* Include 52 MBPD PDVSA's participation in Orinoco Belt production (Cerro Negro, Sincor and Hamaca)
Refined Products 1,156 MBPD
Domestic Market 459 MBPD (31%)
Export Market 697 MBPD (25%)
of which Gasoline / Middle Destillates (48%)
PDVSA Finance Designated Customers
North America 307 MBPD (44%)
Other 390 MBPD (56%)
Net Capacity / Oil Production 102%
Gross Capacity / Oil Production 143%
Light (>30 API)
Medium (21-30 API)
Heavy (11-20 API)
Extra Heavy (<11 API)

STRUCTURE SUMMARY

Global Rating:	PDVSA Finance Ltd. **Caa1**
Current Debt Coverage Ratio:	**37.67 times (As of March 2004)**
Minimum Debt Coverage Ratio	4 to 1 (on a rolling three month basis)
Issuer:	PDVSA Finance Ltd.
Asset Type:	PDVSA Petróleo 's oil and refined products export receivables
Trustee:	JP Morgan Chase Bank
Fiscal Agent:	JP Morgan Chase Bank
Collection Agent:	Citibank, N.A.
Servicer:	PDVSA Petróleo S.A.
Liquidity Facility:	Liquidity reserve account to be funded with next scheduled debt service payment for all outstanding PDVSA Finance indebtedness.
Underwriters:	Morgan Stanley Dean Witter; Credit Swiss First Boston; Goldman, Sachs & Co.
Aggregate Original Principal Balance:	$3,300,000,000 €200,000,000

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